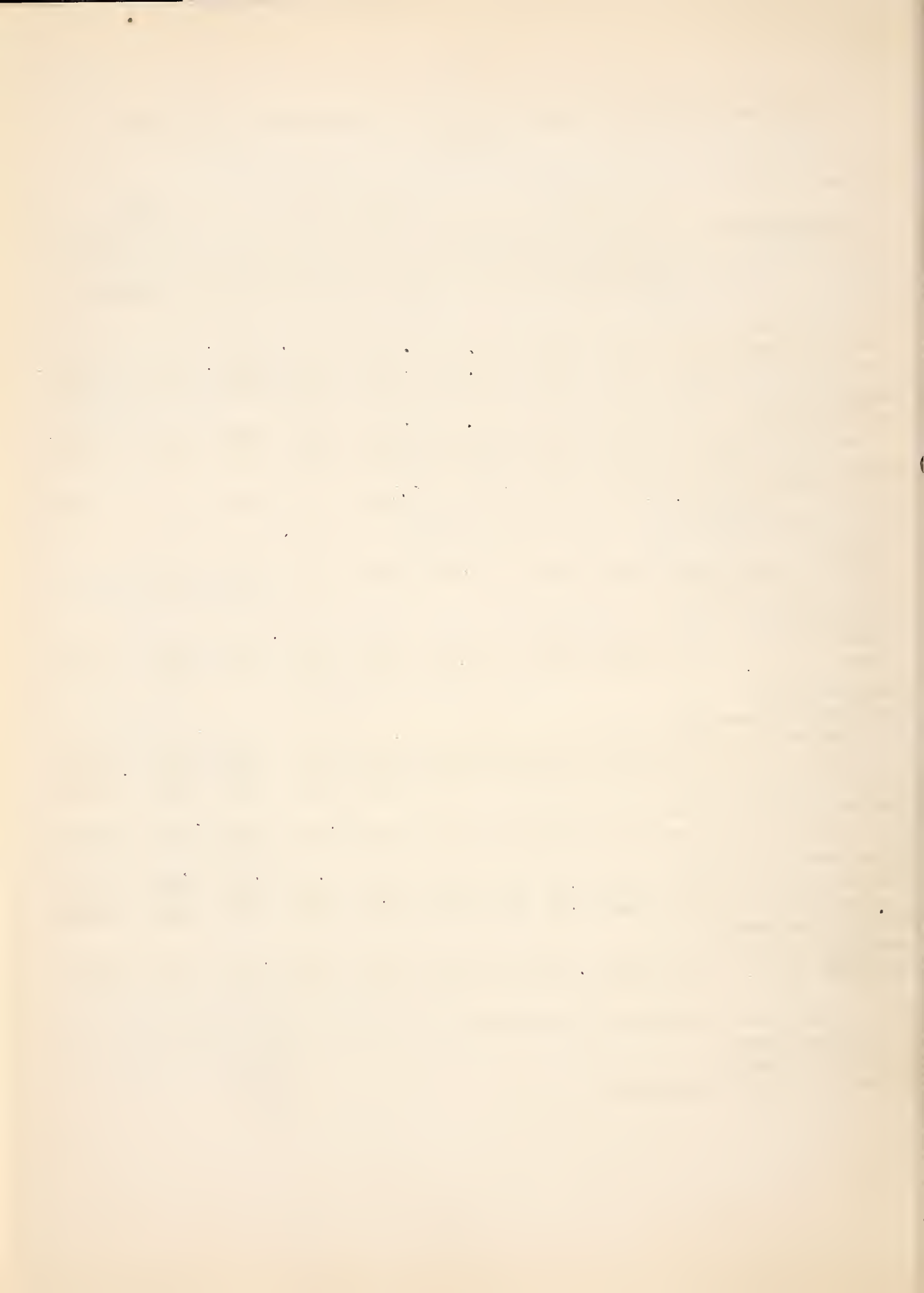


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UNITED STATES DEPARTMENT OF AGRICULTURE
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T H E S H E E P A N D L A M B S I T U A T I O N

This issue consists of the regular annual report on The Outlook for Sheep, Lambs, and Wool for 1938, issued this month by the Bureau of Agricultural Economics. A brief review of developments during the past month and data bringing up to date the tables regularly contained in the Situation Report also are included.

REVIEW OF RECENT DEVELOPMENTS

Prices of slaughter lambs lower in October

After a slight rise early in October, prices of lambs declined during the remainder of that month, but some recovery occurred in early November. The average price of Good and Choice lambs at Chicago in October was \$10.08, 50 cents lower than in September but \$1.40 higher than October 1936. For the week ended November 13 the Chicago average price of Good and Choice lambs was \$9.70, 20 cents higher than in late October. Prices of feeder lambs were relatively steady in October and the spread between prices of feeder and slaughter lambs narrowed further during the month. Prices of feeder lambs at Omaha in October and in early November continued about \$2 higher than prices for the corresponding period last year.

Slaughter supplies show sharp decrease

Slaughter of sheep and lambs under Federal inspection in October, totaling 1,530,000 head, was 8 percent smaller than in September and was the smallest for the month since 1929. In most recent years sheep and lamb slaughter in October has exceeded that of September. Although receipts at most markets during October showed a seasonal increase, a large proportion of the market receipts consisted of feeder lambs from Texas and the Range States. Since such lambs were sold for further feeding, they did not become a part of the slaughter supply.

Large movement of feeder lambs in October

The movement of feeder lambs, both from markets and direct, in October this year was considerably larger than in October last year, and the total number of lambs to be fed this winter also will be considerably larger than last.

Shipments of feeder lambs from the producing area in Texas to other States and to feeding areas within Texas continued very large and were expected to set a new record for October. Shipments went to Colorado and Nebraska feed lots and into Corn Belt feeding areas. There also was a considerable movement of Texas and other lambs to wheat pastures in Texas, Oklahoma and Kansas.

Shipments of feeder lambs from 12 leading markets, into the Corn Belt States, were about 10 percent larger in October this year than last. From July through October, total shipments from markets into the Corn Belt area were estimated at between 15 and 20 percent larger than last year. Most of the increase is in the number going into the States west of the Mississippi River.

Present indications are that the number of lambs fed will be larger this season than last in the Corn Belt States, in Texas, and in Colorado, that the number fed will show some reduction in the other Rocky Mountain States, and that a considerably smaller number will be fed in States west of the Continental Divide. The number fed in the northern Colorado and the Scottsbluff Nebraska feeding areas will be much larger than a year earlier, with the number fed in the Scottsbluff area probably the largest on record. The number fed in the Arkansas Valley, San Luis Valley, and western slope of Colorado probably will be little changed from that of last year.

		Year				Month		
Item	Unit	Average 1924-33	1935	1936	Oct. average: 1924-33	Oct. 1936	Sept. 1937	Oct. 1937
Inspected slaughter <u>1</u> /	: thou-	:	:	:	:	:	:	:
Sheep and lambs	sands :	14,737	17,644	17,216	1,417	1,742	1,671	1,530
Receipts at seven	:	:	:	:	:	:	:	:
markets <u>2</u> /	" :	3/15,241	12,312	11,892	3/2,147	1,726	1,466	1,546
	:	:	:	:	:	:	:	:
	:	Year				Month		
	:	:	:	:	:	:	:	:
	:	Average	1935	1936	Sept. average:	Sept.	Aug.	Sept.
	:	1924-33	:	:	1924-33:	1936	1937	1937
Inspected slaughter:	:							
Lambs and yearlings -	: thou-	:	:	:	:	:	:	:
Number	sands :	13,678	16,400	15,647	1,274	1,417	1,343	1,524
Percentage of total	:	:	:	:	:	:	:	:
sheep and lambs...	:percent:	92.8	93.0	90.9	92.3	89.0	89.7	91.2
Sheep -	: thou-	:	:	:	:	:	:	:
Number.....	sands :	1,059	1,244	1,569	106	176	155	147
Percentage of total	:	:	:	:	:	:	:	:
sheep and lambs...	:percent:	7.2	7.0	9.1	7.7	11.0	10.3	8.8
Average live weight.....	: pound :	81	84	85	79	81	82	82
Average dressed weight	: " :	39	40	40	38	38	39	38
Total dressed weight	:mil.lb.: :	569	701	680	52	61	58	64

3/ Average 1929-33.

Price per 100 pounds of sheep and lambs, by months, August - October 1935-37

Classification	1935			1936			1937		
	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.
	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.	Dolls.
Lambs, Chicago:									
Good and Choice.....	8.68	9.34	9.23	9.53	9.38	8.68	10.78	10.56	10.08
Common and Medium.....	7.24	7.86	7.87	7.20	7.31	6.94	9.06	8.56	8.34
Ewes, Chicago:									
Good and Choice.....	3.20	3.46	3.88	3.50	3.37	3.40	4.70	4.04	4.09
Common and Medium.....	2.35	2.63	3.02	2.25	2.17	2.12	3.32	3.01	3.09
Feeding lambs, Omaha:									
Good and Choice.....	7.85	8.53	8.67	7.61	7.55	7.12	9.50	9.60	9.13
Average price paid by packers:									
Sheep and lambs	7.65	8.34	8.20	8.29	8.22	7.75	9.34	9.46	
Average price received by farmers:									
Sheep	3.56	3.77	3.80	3.69	3.60	3.52	4.52	4.35	4.30
Lambs	6.47	7.23	7.38	7.59	7.43	7.25	8.64	8.57	8.42
Lamb, New York:									
Wholesale carcass <u>1/</u> :									
Choice	17.30	18.84	17.41	20.19	19.20	16.71	20.86	21.80	19.95
Good	16.30	17.86	16.55	18.79	18.00	15.92	19.15	20.52	18.95
Medium	15.24	16.88	15.66	16.81	16.39	14.99	16.90	18.66	17.86
Retail, composite price::									
Good	23.68	25.35	25.08	27.19	27.14	25.19	28.15	29.42	27.55
Pulled wool, Boston <u>2/</u> :									
Choice AA	80.5	81.6	86.9	92.0	92.0	92.5	106.5	103.7	96.5
Choice White B	70.1	71.5	74.8	76.2	77.0	76.2	88.5	85.8	79.2
Sheep pelts, packers shearlings, No. 1, each <u>3/</u>	0.56	0.62	0.82	1.10	1.02	1.03	1.25	1.31	1.24

1/ 38 pounds down.2/ Cents per pound.3/ Bureau of Labor Statistics.

THE OUTLOOK FOR SHEEP, LAMBS, AND WOOL FOR 1938

(Issued November 10)

Summary

The number of lambs fed this winter probably will be larger than a year earlier. Most of the increase will be in the Corn Belt States, where feed supplies are much larger and feed prices considerably lower than they were last year. Hence marketings of fed lambs in the fed-lamb season December 1937 through April 1938 will be larger than in 1936-37, the Bureau of Agricultural Economics reports. Total slaughter supplies of sheep and lambs in this period, however, may be no larger than a year earlier, since marketings from sources other than feed lots probably will be smaller.

At the beginning of the fed-lamb marketing season in December, prices of lambs probably will be higher than a year earlier, but the seasonal advance in prices from January to April next year is expected to be less than in 1937. The average price of lambs for the coming fed lamb season, December 1937 through April 1938, may be slightly lower than that of 1936-37, as the demand for meats and wool may be less favorable than in 1936-37.

Sheep numbers for the country as a whole probably will not change greatly during the next few years. Some reduction in the Western Sheep States is expected, but a further slight increase in the Native Sheep States seems probable.

In the last 3 years prices of lambs have been affected by the short supplies of hogs much less than prices of both hogs and cattle have been. If hog slaughter increases after 1938, as now seems probable, prices of lambs will be weakened much less than will prices of hogs and cattle. Consequently, after the next 2 or 3 years it is expected that prices of lambs will be higher in relation to prices of other meat animals than they have been this year.

Most factors in the wool situation now indicate that domestic wool prices in 1938 may be lower than in 1937. World supplies of wool in 1938 probably will be slightly larger than in the present year, although they will be below average. Mill consumption of wool in this country and possibly in some foreign countries in 1938 is expected to be smaller than in 1937 and wool prices are now rather high in relation to prices of other textiles.

Supplies

The 1937 lamb crop was estimated at 30,712,000 head, or about 1 percent smaller than that of 1936, but 2 percent larger than the 5-year 1931-35 average. The reduction from last year was in the Western States, not including Texas, since the crop in the Native States and in Texas was larger in 1937 than in 1936. For the country as a whole the number of lambs saved per 100 breeding ewes on January 1 was about the same in 1937 as in 1936, increases in the Native States being offset by decreases in the Western States. The number of breeding ewes on January 1, 1937, however, was slightly smaller than a year earlier.

Estimated lamb crop in the United States and specified regions,
average 1931-35, and annual 1935-37

Period	Western States including Tex.	ex-Tex.	Native States	United States
	1,000 head	1,000 head	1,000 head	1,000 head
Average 1931-35	16,020	2,998	11,105	30,124
1935	15,138	2,254	11,195	28,587
1936	16,230	3,848	10,901	30,979
1937 1/	15,269	4,153	11,285	30,712

1/ Preliminary.

Smaller spring marketings of lambs offset by larger marketings of Texas yearlings

Although the 1937 lamb crop was not greatly different from that of 1936, the early crop was smaller than that of last year and later than usual. Because the early lamb crop was late and smaller than last year and also because of short supplies of feed in some areas, marketings of new-crop lambs from April through July were smaller than a year earlier. The reduction in marketings of such lambs, however, was more than offset by a large increase in shipments of yearling lambs and wethers from Texas. Inspected slaughter of sheep and lambs for the period May through July this year was about 16 percent larger than that of the corresponding months of 1936. Supplies continued larger than a year earlier in August and September, but the increase in these months was due to larger marketings of new crop lambs.

Supply of feeder lambs about the same as last year

The 1937 lamb crop in the States where the bulk of the feeder lambs are produced was not greatly different from that of a year earlier, the larger crop in Texas being offset by reductions in Colorado, Montana, and Oregon. Last year and in other years when feed conditions in the sheep producing area of Texas were good and when wool prices were relatively high, large numbers of Texas lambs were retained for shearing and were sold as yearlings the following spring rather than as feeders in the fall. Feed conditions in the sheep-producing areas of Texas this year are less favorable than last year and wool prices have declined somewhat since last spring. It seems probable, therefore, that a larger number of Texas lambs will be sold as feeders this fall than a year earlier. Shipments of feeder lambs from Texas direct to feeders in other States in August and September were much the largest on record, and the movement probably continued heavy in October. Shipments to other areas in Texas for feeding and grazing on wheat pastures also were large.

Increased lamb feeding in the Corn Belt expected

The number of lambs fed in the Corn Belt this fall and winter probably will be much larger than a year earlier in view of the much larger production of feed crops in that area this year. Prices of corn and other feeds in the Corn Belt in the 1937-38 feeding season will be considerably lower than those of a year earlier. The number of sheep and lambs on feed in the Corn Belt States on January 1, 1937 was much smaller than in early 1936 and was the smallest number for that date since 1929.

Smaller number of lambs to be fed in Western States this year

The number of lambs fed in the Western States this season will be considerably smaller than the number fed last season. In Colorado the number fed in 1937-38 may be as large as the small number fed a year earlier, but in nearly all other States lamb feeding will be reduced, with the largest reduction in the States west of the Continental Divide. On January 1, 1937 the number of lambs on feed in the Western States was larger than on that date in either of the 2 preceding years. Marked increases over a year earlier were reported for the area west of Continental Divide, where the greatest reduction is in prospect this season.

Contract purchases of lambs in the Western States were large during July and August. The number of lambs contracted for fall delivery in the Western States this year probably was larger than in any other recent year, and contract prices paid were the highest since 1930. The large sales of lambs for fall delivery accounts in part for the reduced feeding in prospect in several Western States, since the number of lambs remaining in the area will be smaller than a year earlier. The decrease in the number of lambs fed in the Western States this year, however, is expected to be more than offset by increased feeding in the Corn Belt and other areas.

Larger marketings of fed lambs but smaller marketings of sheep and other lambs expected

The supply of fed lambs available for market for the fed-lamb marketing season December 1937 through April 1938 probably will be larger than that of 1936-37. Total slaughter supplies of sheep and lambs in the 1937-38 fed-lamb season, however, may be no larger than those of a year earlier, since marketings of sheep and lambs from sources other than feed lots are expected to be smaller. Most of the increase in marketings of fed lambs over a year earlier probably will occur before March, since the increase in feeding will be mostly in the Corn Belt, where fed lambs usually are marketed early.

In view of the probable increase in the number of lambs to be fed in Texas this fall and winter and the heavy shipments of feeder lambs into other States, and since marketings of fed lambs are usually completed before spring, the number of shorn grass fat yearlings marketed from Texas in the late spring and early summer of 1938 probably will be smaller than the record marketings of the corresponding period of 1937.

Prices

At the beginning of the 1936-37 fed-lamb marketing season (December-April) prices of fed lambs were considerably lower than a year earlier. They advanced materially in the late winter and early spring, and in April 1937 reached the highest level for the month since 1929. The average price paid by packers for sheep and lambs slaughtered under Federal inspection during the 1936-37 fed-lamb marketing season was slightly higher than that of a year earlier, and was the highest for the season since 1929-30. The higher average price was due chiefly to the improvement in consumer demand for meats and to the increase in wool and pelt values. The total live weight of sheep and lambs slaughtered under Federal inspection was larger than that of 1935-36 and was the largest for the period on record.

Spring lamb prices in 1937 higher than in 1936

Prices of Good and Choice spring lambs at middlewestern markets at the beginning of the season in early April ranged from \$12 to \$12.75, which was \$1.50 to \$2 higher than a year earlier. After continuing near this level from late April to early June, prices of spring lambs declined seasonally during the last half of June and the first half of July.

From mid-July through September prices of slaughter lambs showed little net change, although there was considerable fluctuation during this period. The monthly average price of Good and Choice lambs at Chicago was \$10.84 in July, \$10.78 in August, and \$10.56 in September. In each of these months the average price was about \$1 higher than in the corresponding months last year and the highest for these months since 1929.

Inspected slaughter, live weight, and cost to packers for sheep and lambs, December - April, average 1929-30 to 1933-34, annual 1934-35 to 1936-37

Period	:	Inspected	:	Live weight		:	Cost to packers	
	:	slaughter	:			:	Average :	
	:	<u>1/</u>	:	Average :	Total	:	per 100 :	Total
	:		:			:	pounds :	
	:	Thousands	:	Pounds	Million pounds	:	Dollars	Million dollars
Dec. - Apr. -	:		:			:		
Average 1929-30 to	:		:			:		
1933-34	:	6,759	:	86	583	:	7.56	44
1934-35	:	6,634	:	87	574	:	7.88	45
1935-36	:	6,863	:	90	616	:	9.49	58
1936-37	:	7,234	:	89	642	:	9.82	63

1/ Bureau of Animal Industry. Excludes Government slaughter in 1934.

Prices of fed lambs in 1937-38 expected to average lower than in 1936-37

Prices of fed lambs at the beginning of the new marketing season in December this year probably will be somewhat higher than a year earlier. Although some seasonal advance in prices of lambs in the late winter or early spring seems probable, it is not expected that the rise in prices will be as great as that which occurred from January through April 1937. For the entire fed-lamb marketing season December 1937 through April 1938 the average price of lambs may be slightly lower than that of a year earlier. Although supplies are expected to be about the same as in 1936-37 fed-lamb season, demand for meats and wool may be less favorable than a year earlier.

Prospects for prices of spring lambs in 1938 depend to a considerable extent on the number of early lambs produced. The early lamb crop in California may be somewhat larger than in 1937 and may be marketed somewhat earlier than the early crop last year. The movement of early lambs from the Southeastern States and Missouri also is expected to be earlier than in 1937. Consumer demand for meats in the spring and early summer of next year probably will be less favorable than a year earlier. On the other hand, it is expected that marketings of new-crop lambs next spring will be accompanied by a considerably smaller movement of yearlings and wethers from Texas than was the case in 1937.

Long-time Production Outlook

The trend in stock sheep numbers and in lamb and wool production was sharply upward in all the important producing areas from 1923 to 1931. Since 1931 the total number for the entire country has been fairly stable, but changes have occurred in several regions.

From 1931 to 1937 the trend in numbers in the Native Sheep States was slightly upward, although slight decreases occurred in those States in 1934 and 1936 as a result of the severe droughts in those years. In the Western Sheep States, excluding Texas, the trend in sheep numbers has been downward since 1931. In Texas the number of stock sheep increased steadily from 1923 to 1931 and increased further from 1931 to 1937, except for a decrease in 1934, which resulted from drought. The number of stock sheep in Texas on January 1, 1937, was the largest on record and was more than twice as large as that of January 1, 1923.

Numbers of stock sheep and lambs on farms in the United States and specified regions, January 1, 1923 and January 1, 1931-37

Year	Western States, excluding Tex.	Tex.	Native States	United States
	1,000 head	1,000 head	1,000 head	1,000 head
1923	18,722	3,490	10,385	32,597
1931.....	26,155	6,749	14,816	47,720
1932.....	25,567	6,952	15,235	47,754
1933.....	24,647	7,444	15,233	47,324
1934.....	24,841	8,059	15,554	48,454
1935.....	24,030	7,092	15,512	46,634
1936.....	23,423	7,234	15,734	46,391
1937 1/	23,111	8,750	15,289	47,150

1/ Preliminary.

Downward trend in sheep numbers in the West may continue

Returns to producers from lambs and wool in the last 2 years have been high in relation to those of other years since 1929. Under ordinary conditions, an expansion in sheep numbers in the Western States and Texas would be expected. In the Western States, however, ranges have greatly deteriorated as a result of 5 or 6 years of drought conditions, and it is possible that several years of favorable precipitation will be required for the carrying capacity of ranges to recover from the effects of drought. Also restrictions on the number of livestock permitted to graze on the public domain and on the forest reserves may reduce further the number of sheep grazed on Government-owned lands. It is possible, therefore, that the downward trend in sheep numbers in the Western States, excluding Texas, which has been underway since 1931, will continue for a few years more. If feed and weather conditions continue favorable, there seems little likelihood that sheep numbers in Texas will decrease. On the other hand it is not likely that the marked upward trend of the past 15 years will continue during the next several years.

Further increase in sheep in Native States probable

In the Native Sheep States the slight upward trend in sheep numbers, which has prevailed since 1931, probably will continue for the next few years. Although prices of both lambs and wool have advanced materially during the last 3 years, prices of hogs and cattle have advanced even more. Hence, there will be little incentive to expand sheep production in this area. Prospects for some shift in the acreage of cash crops to hay and pasture in the Corn Belt, however, may result in a slight increase in sheep numbers in that region. Increases in prospect in the Native Sheep States probably will be about large enough to offset decreases in the Western States. For the country as a whole, sheep numbers may not change much in the next few years although a decrease is more likely than an increase.

Lamb prices not affected by short hog supplies

The recovery in prices of lambs and of cattle since 1932 has been relatively less than the rise in prices of hogs. The rise in hog prices has been due chiefly to the improvement in consumer demand for meats and the marked reduction in hog slaughter since 1933. Since 1933 the slaughter of sheep and lambs has not changed greatly, whereas cattle slaughter has increased considerably. Despite the increase in cattle slaughter, the general average of cattle prices has risen about as much as the average price of lambs. The rise in cattle prices has resulted partly from the improvement in consumer demand and partly from the reduction in supplies of hogs. Apparently prices of lambs have not been greatly affected by the shortage of hogs.

If hog slaughter increases after 1938, as now seems probable, and if cattle slaughter continues fairly large, the trend in prices of both cattle and hogs will be downward for several years, assuming no offsetting increase in consumer demand. On the other hand no material change in the slaughter of sheep and lambs is expected in the next few years. Consequently, with demand conditions remaining about the same, prices of lambs probably would not change greatly during the period in which prices of cattle and hogs would decline.

THE WOOL OUTLOOK

Production and stocks

The prospective increase in world production of wool in 1937 will be partly offset by the apparent smaller total world stocks of wool. In the spring of 1938, when the United States clip becomes available for market, it is expected that world wool supplies will be slightly larger than a year earlier.

Preliminary estimates of wool production in 15 countries indicate that production in those countries in 1937 will be about 3 percent larger than that of 1936. These countries produced about 75 percent of the world wool production, exclusive of Russia and China, in 1936. World production in 1936, exclusive of Russia and China, totaled 3,386,000,000 pounds which was slightly larger than that of 1935. For the 5 years 1931-35 world production averaged 3,398,000,000 pounds.

Southern Hemisphere wool supplies in 1937-38 larger than in 1936-37

Supplies of wool from the Southern Hemisphere in 1937-38, the bulk of which will be available for market in late 1937, are now expected to be slightly in excess of those of 1936-37, but slightly smaller than the 5-year average in 1931-35. Increased supplies are in prospect in Australia and in the Union of South Africa, the fine wool-producing countries. Supplies in Argentina, Uruguay, and New Zealand probably will be at least equal to the fairly large supplies in those countries last year. The increase in Southern Hemisphere supplies in 1937-38 is the result of larger production this year, since at the end of 1936-37 stocks were smaller than a year earlier and the smallest in several years.

Domestic wool production about equal to average

Production of shorn wool in the United States in 1937 was estimated to be about 367 million pounds, which was about 2 percent larger than that of 1936 but practically the same as the 5-year 1931-35 average. The increase in domestic wool production this year over last year was the result of a larger number of sheep shorn and a heavier average weight per fleece. Production was larger this year than last in Texas and in the Native Sheep States. In the Western Sheep States, excluding Texas, production in 1937 was smaller than in 1936.

Available supplies of apparel-class wool in the United States on September 1, including the unshorn portion of the 1937 clip, were about 15 percent larger than a year earlier when supplies were unusually small, but supplies probably were smaller than supplies on September 1 in most other recent years. Supplies of wool in the producing States in the early fall of this year were considerably larger than for several years. Total domestic wool production in 1937 will not be greatly different from that of 1936, and the smaller mill consumption of wool in late 1937 and early 1938 than a year earlier is expected to be accompanied by smaller imports of wool. Consequently, total supplies of wool in this country at the beginning of the new marketing season, April 1, 1938, probably will continue below average, but they are likely to be somewhat larger than on April 1, 1936 and 1937.

Wool stocks small in most importing countries

Such information as is available concerning supplies of wool in foreign importing countries indicates that stocks were relatively small in all countries, except Japan, at the beginning of the 1937-38 Southern Hemisphere selling season on September 1. Stocks of wool tops in continental Europe in early September also were considerably below average.

Consumption and Trade

Mill consumption of apparel wool on a scoured basis in the United States in the first 8 months of 1937 was 8 percent larger than in the corresponding months of 1936 and with the possible exception of 1935 was the largest for the 8-month period since 1923. Since March, however, consumption has declined more than usual, and the rate of consumption in July and August was lower than a year earlier.

In view of the large mill consumption since early 1935 it is possible that there has been a considerable accumulation of finished wool goods in the several channels of trade. With the probable larger stocks of finished goods and the high prices for wool as compared with other textile raw materials, mill consumption in the last 4 months of 1937 is not likely to be so large as in the corresponding months of 1936. Because of the large consumption earlier this year, total consumption on a scoured basis for 1937 probably will not differ greatly from that of last year. In 1936 consumption (on a scoured basis) was 8.5 percent smaller than in 1935, but with that exception it was larger than for any year since 1923.

Smaller domestic mill consumption in 1938 than in 1937 expected

The high rate of consumption in the past 2 years has resulted from a building-up of inventories of manufactured and semi-manufactured products, large Government orders for wool textiles, and replenishment of consumer needs, which had accumulated during the depression. The automobile industry also has utilized increased quantities of wool in the last 2 years. With stocks of manufactured goods now accumulating and with prospects for a slight decrease in consumer demand next year, mill consumption of wool in 1938 probably will be smaller than in 1937.

Mill consumption of apparel wool on a grease basis in the United States in the first 8 months of this year was not greatly different from that of the same months of 1936 and with the exception of 1935 was the largest for that period since 1923. The difference in the comparisons of consumption for 1937 with that of 1935 and 1936 on a grease basis and on a scoured basis is caused by the larger proportion of light shrinking foreign wools consumed in 1937 than in the 2 previous years.

Mill consumption of apparel wool, grease basis, 1924-33
average, annual 1934-36 and January-June 1936 and 1937

Period	Consumption
	<u>Million pounds</u>
1924-33 average	519
1934	381
1935	713
1936	618
Jan.-Aug. 1936	392
Jan.-Aug. 1937 <u>1/</u>	397
Bureau of the Census.	<u>1/</u> Preliminary.

Domestic production of wool has not changed much in recent years, hence the large domestic mill consumption since 1934 has been accompanied by a decrease in stocks and by a considerable increase in United States imports. Imports for consumption of apparel wool in the first 8 months of 1937 totaled 134 million pounds compared with 75 million pounds in the same months of 1936 and were the largest for these months since 1926. Imports for the entire year of 1936 totaled 111 million pounds.

Although mill consumption in the early months of 1938 probably will be smaller than a year earlier, imports of apparel wool in the first half of next year are expected to be fairly large because of the smaller than average stocks of wool on hand in the United States.

Mill activity in foreign countries reduced in recent months

Conditions in the wool-textile industries of most foreign consuming countries, except Germany, showed considerable improvement in 1936. While there has been a tendency for consumption to decline in some countries in recent months, mill activity is still relatively high in the United Kingdom, Belgium, and Japan. Conditions in France thus far in 1937 have been very irregular, but some increase in mill activity in France may occur in 1938. A marked improvement has occurred in the Italian industry which is emerging from the low level of activity resulting from sanctions and unfavorable economic conditions in 1935-36. Mill consumption in Germany has continued relatively small in 1937, and the German industry is still dependent largely on barter transactions with South Africa and South America for supplies of wool. In the last 4 years there has been considerable expansion in the production and use of substitutes for wool in the German textile industry.

Prices

Wool prices in the domestic market advanced sharply in the latter part of 1936 and early 1937. The rise in prices was the result of strong domestic and foreign demand and relatively small supplies of wool in the United States and foreign countries. Prices in this country declined in April and May as the new domestic clip became available in quantity and then remained fairly steady until September. Chiefly as a result of the weakness in mill demand in this country and abroad, prices in both domestic and foreign markets declined in September. Quotations on Boston market were almost entirely nominal in late September.

On the basis of nominal quotations, average prices for territory combing wools in September were about 15 percent below the high point reached in February 1937, but about 10 percent higher than a year earlier, and with the exception of late 1936 and early 1937 prices in September were higher than at any time since 1929.

Prices in foreign markets decline

Wool prices in foreign markets fluctuated considerably during 1936-37 but a general upward trend was maintained until September. At the July 1937 series at London prices for most wools were at or near the high point for the year and were mostly higher than at any time since 1929. As a result of the general uncertainty in the world markets and apparent weakness in demand for

most raw materials, prices at the London sales in September were about 10 percent lower than in July, with the price decline somewhat greater on merino wools than on crossbreds. Prices of 70s scoured basis at London in September averaged about 10 percent higher than in September 1936, while prices of 56s averaged about 40 percent higher than a year earlier.

Wool prices high in relation to prices of other textile materials

Although prices of wool have weakened somewhat recently, they have declined relatively less than have prices of cotton or silk or of most other raw materials. As indicated in the accompanying table, domestic wool prices in September 1937 were about the same as in 1929, whereas prices of cotton and rayon were about 50 percent lower than in 1929 and silk prices were more than 60 percent lower. Even though cotton, silk and rayon are not competitive with wool for many uses, nevertheless with some textile products it is possible to decrease the quantity of wool used and increase the quantity of other materials.

Price per pound of wool, cotton, silk, and rayon yarn, United States, 1929-36, and September 1937

Year and month	Wool	Cotton	Silk	Rayon yarn	Index numbers, 1929 = 100			
	1/	2/	3/	4/	Wool	Cotton	Silk	Rayon yarn
	Cents	Cents	Cents	Cents				
1929	98.1	18.20	493.3	124.6	100.0	100.0	100.0	100.0
1930	76.2	12.73	341.5	105.9	77.7	69.9	69.2	85.0
1931	63.1	7.90	240.1	75.8	64.3	43.4	48.7	60.8
1932	47.0	6.11	156.1	66.0	47.9	33.6	31.6	53.0
1933	67.0	8.36	161.2	60.9	68.3	45.9	32.7	48.9
1934	81.6	12.17	129.8	58.7	83.2	66.9	26.3	47.1
1935	74.8	11.77	163.3	57.3	76.2	64.7	33.1	46.0
1936	92.0	11.92	176.6	58.6	93.8	65.5	35.8	47.0
1937 - Nov.	85.9	7.84	164.8	63.0	87.6	43.1	33.4	50.6
Sept.	98.5	8.72	185.1	63.0	100.4	47.9	37.5	50.6

1/ Strictly combing, fine staple, territory, scoured basis, Boston market.

2/ Average at 10 designated markets, Middling 7/8 inch. 3/ Japanese silk, double extra 13-15; 78 percent white at New York. Basis for trading on New York Raw Silk Exchange. Bureau of Labor Statistics. 4/ Domestic yarn, first quality, 150 a denier. Bureau of Labor Statistics.

Lower prices of wool in 1938 than in 1937 probable.

Numerous uncertainties in the world economic situation, make an appraisal of the probable trend of wool prices in both domestic and foreign markets in 1938 more difficult than usual. At the present time most factors in the wool situation indicate that wool prices in 1938 will be lower than in 1937. World supplies of wool in 1938 apparently will be slightly larger than in the present year, although below average. Mill consumption of wool has been above average in the United States and in most foreign countries in the past 2 or 3 years. In the United States, at least, there apparently has been some accumulation of stocks of finished wool products in 1937, and this along with the prospective weakness in consumer demand in 1938 may tend to curtail the domestic mill demand for wool. The present relationship between prices of wool and prices of other textiles also is such as to reduce mill consumption of wool. In some foreign countries, however, rearmament programs and military operations in 1938 may tend to offset the weakness in mill demand for wool resulting from other factors.

